A3275-1

FIRST QUARTER

R&E Series No. 725

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME*

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in thousands)

FOR THE FIRST QUARTER

ACCOUNT	1986	1985	PERCENT INCREASE 1986 OVER 1985
REVENUE			
FREIGHT	$6,473,589	$6,844,647	D 5.4
PASSENGER	26,478	25,387	4.3
PASSENGER RELATED	46	48	D 4.2
ALL OTHER OPERATING REVENUE	197,734	206,048	D 4.0
JOINT FACILITY ACCOUNT	2,282	3,154	D 27.6
TOTAL OPERATING REVENUES	6,700,129	7,079,284	D 5.4
EXPENSES			
DEPRECIATION-ROAD	254,212	244,372	4.0
ALL OTHER WAY AND STRUCTURES	783,426	851,755	D 8.0
TOTAL WAY AND STRUCTURES	1,037,638	1,096,127	D 5.3
DEPRECIATION-EQUIPMENT	237,409	239,734	D 1.0
ALL OTHER EQUIPMENT	1,310,464	1,411,818	D 7.2
TOTAL EQUIPMENT EXPENSE	1,547,873	1,651,552	D 6.3
TRANSPORTATION-TRAIN & YARD	2,417,314	2,632,860	D 8.2
TRANSPORTATION-SPEC. SERV. & ADM.	352,320	368,511	D 4.4
GENERAL & ADMINISTRATIVE	684,515	710,689	D 3.7
TOTAL OPERATING EXPENSES	6,039,660	6,459,739	D 6.5
NET REVENUE FROM RAILWAY OPERATIONS	660,469	619,545	6.6
OTHER INCOME	282,456	325,579	D 13.2
DIVIDENDS FROM AFFILIATES	6,888	3,007	129.1
EQUITY IN UNDISTR.EARN. OF AFFIL.	22,660	12,458	81.9
TOTAL INC. FROM AFFILIATED COS.	29,548	15,465	91.1
MISCELLANEOUS DEDUCTIONS	76,462	72,258	5.8
INCOME AVAILABLE FOR FIXED CHARGES	896,011	888,331	.9
FIXED CHARGES			
INTEREST ON FUNDED DEBT	221,573	225,411	D 1.7
INTEREST ON UNFUNDED DEBT	9,060	11,687	D 22.5
AMORT. OF DISCOUNT ON FUNDED DEBT	2,903	2,247	29.2
TOTAL FIXED CHARGES	233,536	239,345	D 2.4
INCOME AFTER FIXED CHARGES	662,475	648,986	2.1
OTHER DEDUCTIONS	2,925	2,943	D .6
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	0	DR 66	100.0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	659,550	645,977	2.1
INCOME TAXES ON ORDINARY INCOME	109,698	70,775	55.0
PROVISION FOR DEFERRED INC. TAXES	147,811	173,184	D 14.7
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	402,041	402,018	
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	
ORDINARY INCOME	402,041	402,018	.0
EXTRAORDINARY ITEMS (NET)	15,258	12,603	21.1
INCOME TAXES ON EXTRAORD. ITEMS	0	0	
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	0	
CUM.EFFECT CHANGES IN ACCT.PRIN.	0	0	
NET INCOME(AFTER EXTRAORD. ITEMS)	417,299	414,621	.6
INCOME FROM LEASE OF ROAD & EQUIP	400	387	3.4
RENT FOR LEASED ROADS & EQUIPMENT	7,572	7,231	4.7
NET RAILWAY OPERATING INCOME	410,112	382,430	7.2
CASH FLOW	1,018,813	1,046,650	D 2.7
RATIOS			
RATIO TO OPERATING REVENUES			
OPERATING EXPENSES	90.1	91.2	
OPERATING EXPENSES(INC.INC.TAXES)	94.0	94.7	
NET RAILWAY OPERATING INCOME	6.1	5.4	

RATE OF RETURN ON PROPERTY INVESTMENT[5]

12 MONTHS ENDED MARCH 31, 1986 & 1985

(Dollars in Thousands)

	NET INVESTMENT[6]		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT	$21,963,194	$21,345,312	$ 799,509	$ 1,212,306	3.64%	5.68%
WESTERN DISTRICT	23,670,205	22,703,483	990,195	1,130,411	4.18	4.98
UNITED STATES	$45,633,399	$44,048,795	$ 1,789,704	$ 2,342,717	3.92%	5.32%

Beginning with this report, what were previously the Eastern and Southern Districts have been combined into the Eastern District because of railroad mergers.

RAILROAD REVENUES, EXPENSES, AND INCOME

THREE MONTHS MARCH 31,1986 AND 1985

Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$23,079	$27,597	$24,070	$28,796	$25,197	$28,562	$-185	$917	$-1,053	$308
CONRAIL	734,268	759,781	760,751	788,672	714,196	742,988	44,524	42,926	31,310	34,063
CSX TRANSPORTATION	1,108,990	1,162,255	1,140,473	1,202,228	1,006,035	1,088,964	70,403	80,898	93,352	72,573
DELAWARE & HUDSON	24,917	25,758	25,374	26,300	26,335	29,295	-1,742	-3,432	-948	-2,966
ELGIN, JOLIET & EASTERN	13,912	14,341	20,763	20,707	21,138	20,323	670	1,135	-736	-301
FLORIDA EAST COAST	29,012	30,755	29,881	31,328	22,777	22,734	4,607	6,538	2,683	3,361
GRAND TRUNK WESTERN	79,596	85,294	83,093	88,802	89,778	87,237	-5,541	518	-5,532	1,777
ILLINOIS CENTRAL GULF	181,933	223,145	201,761	241,860	170,307	230,021	17,515	3,525	23,477	10,662
NORFOLK & WESTERN	402,738	410,957	418,838	426,479	340,173	351,456	52,515	55,968	40,980	38,153
SOUTHERN RAILWAY SYSTEM	425,400	422,063	435,349	433,117	347,281	361,240	52,135	43,108	56,268	42,176
TOTAL EASTERN DISTRICT	$3,023,845	$3,161,946	$3,140,353	$3,288,289	$2,763,217	$2,962,820	$234,901	$232,101	$239,801	$199,806
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$497,757	$537,512	$509,106	$549,104	$475,211	$524,364	$19,340	$27,569	$25,899	18,251
BURLINGTON NORTHERN	944,409	1,034,484	967,103	1,055,596	825,440	861,847	78,221	118,703	83,525	113,420
CHICAGO & NORTH WESTERN	186,853	178,398	212,764	204,634	202,933	207,296	3,779	-12,910	10,154	-712
DENVER & RIO GRANDE WESTERN	74,363	83,673	75,729	85,018	66,256	76,907	4,921	5,995	6,063	4,918
KANSAS CITY SOUTHERN	77,410	75,529	81,194	79,024	66,067	69,718	9,034	4,293	10,087	6,387
MILWAUKEE ROAD	0	46,687	0	48,993	0	57,325	0	-9,114	0	-8,313
MISSOURI PACIFIC	410,037	431,192	423,393	442,676	374,097	403,755	20,609	27,627	43,116	41,691
MISSOURI-KANSAS-TEXAS	58,508	62,470	61,413	65,692	58,697	63,109	1,220	-5,898	2,979	-2,961
SOO LINE	152,264	116,574	156,560	119,391	152,883	112,961	373	1,771	3,532	5,897
SOUTHERN PACIFIC CO.	452,503	504,077	470,054	520,630	533,226	547,975	-31,792	-26,411	-59,964	-25,291
ST. LOUIS SOUTHWESTERN	84,524	98,624	85,925	100,405	81,737	97,485	4,106	2,733	2,439	1,252
UNION PACIFIC	470,683	480,901	475,594	486,777	401,424	436,.85	54,629	35,965	40,720	29,970
WESTERN PACIFIC	40,433	32,580	40,941	33,055	38,472	37,992	2,700	-406	1,781	-1,885
TOTAL WESTERN DISTRICT	$3,449,744	$3,682,701	$3,559,776	$3,790,995	$3,276,443	$3,496,419	$167,140	$169,917	$170,331	$182,624
TOTAL UNITED STATES	$6,473,589	$6,844,647	$6,700,129	$7,079,284	$6,039,660	$6,459,739	$402,041	$402,018	$410,132	$382,430

NOTE. First quarter 1986 earnings for the Atchison, Topeka & Santa Fe and the Southern Pacific are reduced by $3.8 million and $31.3 million, respectively, reflecting employee severence allowances.

TOTAL OPERATING REVENUES, EXPENSES, [1] ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES [2]
BY QUARTERS 1981 - 1986

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700				
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040				
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402				
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$198	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410				
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	875 976p
1986	291 850p				
CAPITAL EXPENDITURES					
1981	$926	$710	$550	$668	$2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	677p				

r - revised
p - Preliminary

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown above) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer & Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included through 1984 in the trends section.

3. On February 20, 1985, Soo Line Railroad Company acquired the Milwaukee Road, Inc. From that date, the results of the Milwaukee Road, Inc. are included in the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending March 31, 1986 and 1985 are calculated on the average 1985 net investment and average 1984 net investment, respectively. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
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June 3, 1986

ASSOCIATION
OF AMERICAN
RAILROADS